REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Paper laid on the Table of the House by the Majority Leader on Wednesday 15th August 2018 (Afternoon)

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TARBAJ CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2017

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-TARBAJ CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

a. Background information

The National Government Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2015. The Constituencies Development Fund is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the national Constituencies Development Fund. The objective of the fund is to ensure that specific portion of the national annual budget is devoted to the constituency for the purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

b. Key Management

The TARBAJ Constituency's day-to-day management is under the following key organs:

- National Constituencies Development Fund Board (NGCDFB)
- NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC)

c. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Yusuf Mbuno**
2.	A.I.E holder	**Yusuf Daud**
3.	Accountant	**ZephaniaTerer**

d.Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of NG-CDFC TARBAJ Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

e.TARBAJ NGCDF Headquarters

NGCDF Office Building.
P.O BOX 646-70200
WAJIR

f .TARBAJ NGCDF Contacts

Telephone: (254) 0721164615
E-mail:cdftarbaj@cdf.go.ke
Website: www.cdftarbaj@cdf.go.ke

g.TARBAJ NGCDF Bankers

1. National Bank of Kenya
   P.O Box 597-626
   Wajir, Kenya
   ...
   ...

h.Independent Auditors

Office of the Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

i. Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND COMMITTEE (NGCDFC)

The NGCDFC wish to have in summary the budget performance against actual amounts for current year based on economic classification and programs. The NGCDF have improved the Education and Security infrastructures of TARBAJ Constituency.

However there have been emerging issues like political, economic, social, legal and global challenges influencing the implementation of NG-CDF Project. Other issues affecting the project implementation process is the late disbursement of funds, late approved of proposals and reallocation of projects.

Sign.....
CHAIRMAN NG-CDFC

III. STATEMENT OF NGCDF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government NG-CDF shall prepare financial statements in respect of that NGCDF. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the TARBAJ NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (I) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NGCDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the TARBAJ NGCDF accepts responsibility for the NGCDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NGCDF's financial statements give a true and fair view of the state of NGCDF's transactions during the financial year ended June 30, 2015, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the TARBAJ NGCDF further confirms the completeness of the accounting records maintained for the NGCDF, which have been relied upon in the preparation of the NGCDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the TARBAJ NGCDF confirms that the NGCDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NGCDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NGCDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on 31/6/ 2017.

Fund Account Manager

Chairman

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TARBAJ CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund -Tarbaj Constituency set out on pages 7 to 38, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund-Tarbaj Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Cash Basis) and comply with National Government Constituencies Development Fund Act, 2015.

In addition, and as required by Article 229(6), based on the procedures performed, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that nothing else has come to my attention to cause me believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Unsupported Expenditure on Secondary Schools Projects

During the year under review, the NG-CDF Tarbaj used Kshs.6,799,516 for Goods and services, out of which an amount of Kshs.4,037,931 was used for Secondary Schools projects. However, examination of payment vouchers, project files and other tender documents relating to the projects revealed that the payments were not supported with and notifications to successful and unsuccessful bidders, certificates of practical completion, copies of tender evaluation and opening minutes.

Under the circumstances, it has not been possible to ascertain the regularity of the expenditure amounting to Kshs.4,037,931.

2. Unaccounted for Expenditure

2.1 Sports Materials

The NG-CDF Tarbaj procured sports materials worth Kshs.662,740 during the year ended 30 June, 2017. It was however noted that the goods were directly procured without floating quotations. The payments were not supported with inspection and acceptance reports in order to ensure compliance with the terms and specifications of the contract.

Further, the stores were not received vide counter receipt voucher (S13) and were not also taken on charge in the stores register. It was therefore not possible confirm the point of use of the stores as there were no indications that items were delivered to any department as there were no counter requisition and issue vouchers indicating the same.

2.2 Goods and Services

A review of the financial statements revealed that the NG-CDF spent an amount of Kshs.1,543,000 on office and general supplies and services out of which KSHs 633,000 was on purchase of stationaries, mineral water and airtime. However, examination of payment vouchers and other stores records revealed that although goods were received vide counter receipt vouchers (S13) and were taken on charge in the stores ledgers, the same were not issued out vide issue note (S11) as documentary evidence to confirm the point of use. There were no supplies in the stores as confirmed by a physical verification exercise.

2.3 Bursaries Expenses

During the year ended 30 June 2017, the management of Tarbaj Constituency disbursed bursaries amounting to Kshs.21,531,520 to various institutions for the benefit of needy students. However, examination of available records revealed that an amount of Kshs.4,510,000 disbursed to various institutions had not been acknowledged through official receipts or acknowledgement letters by the beneficiary institutions. Under the circumstances, it was not possible to confirm whether the funds were used for the intended purpose.

In view of the foregoing, the propriety and accountability of the expenditure of Kshs.5,805,740 remains doubtful.

3. Unsupported Committee Allowances

During the financial year under review, National Government Constituencies Development Board approved a budget of Kshs. 3,299,300 to be spent on committee expenses for Tarbaj Constituency, out of which the Fund utilized Kshs.2,398,800 on committee allowances while conducting monitoring and evaluation of CDF projects within the Constituency. Audit review of payment vouchers and other supporting records

revealed that committee allowances amounting to Kshs.935,000 were not supported with relevant documentation including the lists of the projects visited and a report on the monitoring and evaluation for the projects visited. Further, the payment schedule supporting the payments did not specify the period when the monitoring and evaluation exercise was conducted. There were no work ticket/bus tickets to confirm mode of transport used by the committee.

In consequence, the expenditure amounting to Kshs. 935,000 could not be confirmed.

4. Procurement of Security Projects

The NG-CDF Tarbaj had spent Kshs.27,134,736 on security which included an amount of Kshs.5,540,000 that was used to procure and implement security projects. However, the opening, evaluation and awarding minutes were not signed by both the chairman and secretary of the PMC creating doubts on the authenticity of the documents. Further, there were no signed contract agreements between the Mansa Location PMC and the contractor as required by section 135 of the Public Procurement and Asset Disposal Act, 2015. One or more pages of the bill of quantities were not signed by the tender opening committee as required by section 78(9) of the Public procurement and Asset Disposal Act 2015.

Physical verification of the project done on 26 November 2017 revealed that underground water tank, barbed wire, guard house and one bathroom worth Kshs.3,100,000 at Tarbaj Administration Police Station were completed. However, there was no value for money as the projects remained idle and had no benefit to the locals.

Further, although the Fund made full payment for the construction of security project at Sarman AP camp comprising of underground water tank, barbed wire, fencing guard house and two toilets worth Kshs.3,200,000 audit verification carried out on the same day revealed that the guard house worth Kshs.400,000 had not been constructed. No reason was given for the failure to construct the house and why full payment was made for the incomplete project.

Consequently, the regularity of the payment of Kshs.400,000 and the value for money for the idle projects worth Kshs.3,100,000 could not be ascertained.

5. Unsupported Payments for Primary School Projects

The management of Tarbaj Constituency had procured and implemented Primary Schools projects with a cost of Kshs.2,965,000. Although full payment had been made to the contractors, the payments were not supported with certificate of practical completion.

In the circumstance, it has not been possible to ascertain the regularity of the expenditure.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies

Development Fund - Tarbaj Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget and Budgetary Control

1.1 Budget Performance Analysis

During the year under review, National Government Constituencies Development Fund Tarbaj Constituency had a budget of Kshs.130,760,221 consisting of Kshs.81,896,550.70 for the financial year 2016/2017 and unspent balance of Kshs.48,863,670.60 from the financial year 2015/2016..

The NGCDF analysis of budge against actual expenditure for the year under review is given as follows:

1.2 Under/Over Expenditure

Item	Budgeted (Kshs)	Actual (Kshs)	Under (Kshs.)
Compensation to Employees	2,371,388.00	1,849,999.80	521,388.20
Use of goods and services	10,055,967.10	6,799,516.05	3,256,451.05
Transfers to Other Government Units	32,738,870.00	29,893,517.50	2,845,352.50
Other grants and transfers	81,569,343.20	57,713,422.30	23,855,920.90
Acquisition of Assets	3,864,653.00	1,292,000.00	2,572,653.00
Other payments	160,000.00	160,000	-
TOTAL	**130,760,221.30**	**97,708,455.65**	**33,051,765.65**

The management of Tarbaj Constituency spent an amount of Kshs.97,708,455.65 or 74.72% of the total budget allocation for the period under review. This means, the management under spent Kshs.33,051,765.65 or 28.3% of total approved budget.

No explanation was given for not utilizing the fund allocated in total to benefit the constituents.

2.0 Under Funding of Budget

During the financial year under review NG-CDF Tarbaj had approved budget of Kshs.130,760,221.30 for use on various projects. However, NG-CDF Board released only Kshs.99,811,947.20 resulting in under funding by Kshs.30,948,274.10. The underfunding of the budget had resulted in projects relating to the year under review not being implemented.

No explanation was given as to why the Board did not disburse the total amount budgeted to implement the planned projects and to benefit the constituents.

Responsibilities of Management of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

30 July 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
RECEIPTS			
Transfers from NG-CDF board-AIEs' Received	1	57,348,276.00	124,824,425.00
TOTAL RECEIPTS		**57,348,276.60**	**124,824,425.00**
PAYMENTS			
Compensation of employees	2	1,849,999.80	1,407,480.00
Use of goods and services	3	6,799,516.05	8,358,200.00
Transfers to Other Government Units	4	29,893,517.50	42,935,940.00
Other grants and transfers	5	57,713,422.30	57,237,455.40
Acquisition of Assets	6	1,292,000.00	
Other Payments	7	160,000.00	6,240,000.00
TOTAL PAYMENTS		**97,708,455.65**	**116,179,075.40**
SURPLUS/DEFICIT		**(40,360,179.05)**	**8,645,349.60**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The TARBAJ NGCDF financial statements were approved on 30/6/ 2017 and signed by:

TARBAJ CONSTITUENCY DEVELOPMENT FUND COMMITTEE CHAIRMAN P.O. Box 477-70200, WAJIR

Chairman - NGCDFC

N.G CDF TARBAJ FUND ACCOUNT MANAGER P.O. BOX 70200 WAJIR

Fund Account Manager

V. STATEMENT OF ASSETS

	Note	2016 - 2017	2015- 2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	2,103,491.55	42,463,670.60
TOTAL FINANCIAL ASSETS		**2,103,491.55**	**42,463,670.60**
REPRESENTED BY			
Retention	9	-	-
Fund balance b/fwd. 1st July...	10	42,463,670.60	33,818,321.00
Surplus/Deficit for the year		(40,360,179.05)	8,645,349.60
NET FINANCIAL POSITION		**2,103,491.55**	**42,463,670.00**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The TARBAJ NGCDF financial statements were approved on 30/6/ 2017 and signed by:

Chairman - NGCDFC

Fund Account Manager

VI.STATEMENT OF CASHFLOW

Receipts for operating income		2016 - 2017	2015 - 2016
Transfers from NG- CDF Board	1	57,348,276.60	124,824,425
		57,348,276.60	124,824,425
Payments for operating expenses			
Compensation of Employees	2	(1,849,999.80)	(1,407,480)
Use of goods and services	3	(6,799,516.05)	(8,358,200)
Transfers to Other Government Units	4	(29,893,517.50)	(42,935,940)
Other grants and transfers	5	(57,713,422.30)	(57,237,455.40)
Other Payments	7	(160,000.00)	(6,240,000)
		(96,416,455.65)	(116,179,075.40)
Net cash flow from operating activities		(39,068,179.05)	8,645,349.60
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	1,292,000.00	
Net cash flows from Investing Activities		(1,292,000.00)	
NET INCREASE IN CASH AND CASH EQUIVALENT		(40,360,179.05)	8,645,349.60
Cash and cash equivalent at BEGINNING of the year	10	42,463,670.60	33,818,321.00
Cash and cash equivalent at END of the year		2,103,491.55	42,463,670.60

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The TARBAJ NGCDF financial statements were approved on 30/8/ 2017 and signed by:

Chairman NGCDFC

Fund Account Manager

N.G. CDF TARBAJ
FUND ACCOUNT MANAGER
P. O. BOX 845-70200, WAJIR

VII.SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,550.70	48,863,670.60	130,760,221.30	99,811,947.20	30,948,274.10	76%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
TOTAL	**81,896,550.70**	**48,863,670.60**	**130,760,221.30**	**99,811,947.20**	**30,948,274.10**	**76.33%**
PAYMENTS						
Compensation of Employees	1,224,828.00	1,146,560.00	2,371,388.00	1,849,999.80	521,388.20	78%
Use of goods and services	6,145,862.10	3,910,105.00	10,055,967.10	6,799,516.05	3,256,451.05	68%
Transfers to Other Government Units	10,261,000.00	22,477,870.00	32,738,870.00	29,893,517.50	2,845,352.50	91%
Other grants and transfers	63,194,826.60	18,374,516.60	81,569,343.20	57,713,422.30	23,855,920.90	71%
Acquisition of Assets	1,070,034.00	2,794,619.00	3,864,653.00	1,292,000.00	2,572,653.00	33%
Other Payments	-	160,000.00	160,000.00	160,000.00	0	100%
TOTAL	**81,896,550.70**	**48,863,670.00**	**130,760,221.30**	**97,708,455.65**	**33,051,765.65**	**75%**

The TARBAJ NGCDF financial statements were approved on 30/6 2017 and signed by:

TARBAJ CONSTITUENCY DEVELOPMENT FUND COMMITTEE
CHAIRMAN
P. O. Box 417-70200, WAJIR

Chairman NGCDF

N.G.C.D.F. TARBAJ
FUND ACCOUNT
P. O. Box 646-70200, WAJIR

Fund Account Manager

VIII.SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the NGCDF and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognizes transactions and events only when cash is received or paid by the NGCDF.

2.Recognition of revenue and expenses

The NGCDF recognizes all revenues from the various sources when the event occurs and the related cash has actually been received by the NGCDF. In addition, the NGCDF recognizes all expenses when the event occurs and the related cash has actually been paid out by the NGCDF.

3.In-kind contributions

In-kind contributions are donations that are made to the NGCDF in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the NGCDF includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4.Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of

Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5.Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the NGCDF at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

6.Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The NGCDF's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the NGCDF's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7.Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

8.Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

IX: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the *summary* of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the

Various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No.on the external audit report	Issues/Observations from Auditor	Management comments	Focal person to resolve the issue	Status(Resolved /Not resolved	Time frame(Put a date when you expect the issue to be resolved)
1.0	In accurate opening balance Compensation of Employees - 71,280 Use of Goods & Services – - 3,152,000 Committee Expenses - +3,152,000 Social Security Benefits- 71,280	In regards to the anomalies raised in the draft Auditor General Report, compensation of employees which was classified on it is own in the financial year 2014/2015 was reclassified and combined with social security benefits therefore in the Audited balances for the fy 2014/2015 the figures were 689,720 for compensation of employees and 71,280 for social security benefit after reclassification and combining both items in the financial year 2015/2016 under the name compensation of employees the comparative balance totals to ksh 761,000 hence the figure is accurate only that PASB reclassified the items together. Also use of goods and service and committee expenses were combined	Fund Manager	Resoved	Resolved

		together in the fy 2015/2016.The Audited figure for 2014/15 for use of goods and service was ksh 4,326.496 whereas committee allowance was ksh 3,152,000 but on reclassification under the name use of goods and services the comparative balance totals to ksh 7,478,495.therefore no anomalies but due to the reclassification of the items by the PASB hence differences emerged between the opening balance and closing balances.			
2.0	Irregular award of capital projects 14,534,780	Procurement were done in line with CDF Act and procurement act, challenges in filling of BOQ, poor record of tendering process were as a result of illiteracy of pmc members	Fund Manager	Resoved	Resolved
3.0	Unutilized projects 5,400,000	In the year 2011 interclan clashes erupted between communities living in Wajir county and	Fund Manager	Resoved	Resolved

		Mandera County, Duntow Trading centre is a location that has mainly been affected by the interclan skirmishes, the community requested through need assessment conducted by NG-CDF TARBAJ committee_ in the proposal of the financial year 2013/2014 the need to have Administration police post and that is how the construction of the Ap post was initiated , afterwards security personnel were			

		deployed to the AP station but due to the ALSHABAB Menace that rocked the whole country most of the Administration police officers were redeployed to the headquarters and that is why at the time of visit no security personnel were found.			
4.0	Unaccounted for CDF Bursary 1,436,000	As per attached find acknowledgment letters and receipts from various institutions for your perusal also attached is list of students, the level of studies and admission numbers	Fund Manager	Resoved	Resolved

		which were all contained in the bursary acknowledgment file not submitted for audit review			
5.0	Unaccounted for Administration/Monitoring and Evaluation Expenses	Temporary work tickets are designed and used during such field visits. All payment schedules were signed by the recipients of the cash. All the issues raised in the report were exhaustively addressed with the necessary evidence in the response to the Management Letter as submitted to the office of the Auditor General. A copy of those responses with the necessary supporting evidences can be availed.	Fund Manager	Resolved	Resolved

6.0	Bank accounts for projects management Committee	The funding of project management Committee by NG-CDF TARBAJ is usually based on full contract but not labour contracting, under this process a notification letter containing the amount allocated, tendering process to be used, requirements of the NG-CDF act in regards to implementation of project is written to the Project management committee, after receiving the letter the PMCS undertake the tendering process and implement the project.	Fund Manager	Resolved	Resolved

		Monitoring of work in progress is done by the NG-CDFC members, the relevant technical person like The district works officer or roads engineer as well as the district accountant and the PMCS members . Payment transfers to PMCS are done on phases after certificate of completion on work in progress is issued by the relevant technical officers, afterwards the			

		payment is captured in the cashbook and the vote book by the district accountant and transfer of funds to the PMC account is done via chaque or by EFT and the contractor is paid by chaque by the Relevant PMC . A project file containing the documents is usually availed			

		to Ng-CDF office by the PMC members of which a copy is always availed for Audit Review. Due to the numerous accounts for PMCS its practically difficult to keep cashbook, bank reconciliation as well as vote book for individual PMCS. But for purpose of			

		record find as per attached Bank account details as well as bank statement for various PMCS in Tarbaj NG-CDFC and a sample of notification letter to PMCS.			
7.0	Constituency Oversight Committee	Under section 53 (2) of the NG-CDF Act 2015, "... the Constituency oversight committee shall be comprised of the constituency Member of the National Assembly and not more than four other members appointed by the Member of the National Assembly for the	Fund Manager	Resoved	Resolved

		constituency in consultation with other stakeholders." This clearly shows that the mandate of appointing the committee lies with the member of the National Assembly and not the National Government Constituency Development Fund Committee nor the Fund Account Manager.			
1.2	Under expenditure/Over expenditure	During the financial year 2015/2016 CDF tarbaj was allocated ksh 132,594,924 but the ng-cdf board released only ksh 66,000,000 before disbandment of the cdfc on 19th February 2016 due to the ruling made by the high court which forced CDF Act 2013 to be amended , for a period of four months the cdf	Fund Manager	Resoved	Resolved

		operation were ceased and we received the final disbursement from the board on 14th june 2016 and the AIE hence most of the projects which were complete could not be paid on time with in the month of June therefore this caused spill over of payment to the fy 2016/2017 hence under expenditure.As per attached find bank statement showing late disbursement and the AIE			
1.3	Project Budgeted for	The under absorption of fund was caused by ceasing of cdfc operation for four months as from 19th February 2016 .As you aware the high court made ruling that the CDF act 2013 be	Fund Manager	Resoved	Resolved

		replaced and that resulted in disbandment of cdfc committee who were responsible for managing the funds at the constituency level hence late disbursement of funds for the financial year 2015/2016.this resulted to under utilization of funds. As per attached find relevant circulars, bank statements and A.I.E			

FUND MANAGER-NG-CDFC
DATE.....26/1/2018.....

CHAIRMAN –NG-CDFC
DATE.....26/1/2018

X.NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 – 2017 Kshs	2015 - 2016 Kshs
Normal allocation			
	A825971	6,400,000.00	30,000,000
	A 839508	4,094,827.60	20,000,000
	A 855097	36,853,449.00	16,000,000
	A 839697	10,000,000.00	58,824,425
TOTAL		57,348,276.00	124,824,425.00

2. COMPENSATION OF EMPLOYEES

Description	2016 - 2017 Kshs	2015 - 2016 Kshs
Basic wages of contractual employees	1,731,199.80	1,290,360.00
Basic wages of casual labor	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF	118,800	117,120.00
gratuity	-	-
Total	**1,849,999.80**	**1,407,480.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. USE OF GOODS AND SERVICES

Description	2016 - 2017 Kshs	2015 - 2016 Kshs
Utilities, supplies and services		822,400
Office rent		180,000
Communication, supplies and services	200,000.00	
Domestic travel and subsistence	1,305,000.00	1,223,000
Printing, advertising and information supplies & services		230,000
Rentals of produced assets		-
Training expenses	1,275,900.00	1,200,000
Hospitality supplies and services		28,000
Other committee expenses		1,291,600
Committee allowance	2,398,800.00	1,562,600
Insurance costs		
Specialized materials and services		
Office and general supplies and services	1,543,000.00	730,600
Fuel ,oil & lubricants		
Other operating expenses	76,816.05	36,000
Routine maintenance – vehicles and other transport equipment		-
Routine maintenance – other assets		1,054,000
Total	**6,799,516.05**	**8,358,200**

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017 Kshs	2015 – 2016 Kshs
Transfers to primary schools	11,694,712.50	25,964,940
Transfers to secondary schools	6,698,925.00	15,295,000
Transfers to tertiary institutions	11,499,880.00	
Transfers to health institutions		1,676,000
TOTAL	**29,893,517.50**	**42,935,940**

5. OTHER GRANTS AND OTHER PAYMENTS

	2016 – 2017 Kshs	2015 -2016 Kshs
Bursary – secondary schools	7,311,000.00	4,140,000
Bursary – tertiary institutions	14,220,520.00	10,860,497
Bursary – special schools		
Mock & CAT	890,000.00	11,510,000
Water projects		
Agriculture projects		
Electricity projects	27,134,736.00	20,890,593
Security projects		2,985,000
Roads projects		
Sports projects	819,656.30	2,981,415.40
Environment projects	1,494,000.00	320,000
Other Projects		-
Emergency Projects	5,843,510.00	3,549,950
Total	**57,713,422.30**	**57,237,455.40**

6. ACQUISITION OF ASSETS

Non-Financial Assets	2016 - 2017 Kshs	2015 - 2016 Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	792,000.00	-
Purchase of ICT Equipment, Software and Other ICT Assets	500,000.00	-
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	
Total	**1,292,000.00**	**-**

7. OTHER PAYMENTS

	2016 – 2017 Kshs	2014 – 2015 Kshs
Specify		
CONSTRUCTION OF DFOFFICE,WATER TANK,GREEN HOUSE AND STRATEGIC PLAN)		
COMMUNITY SOCIAL HALL	160,000.00	6,240,000.00
	160,000.00	**6,240,000.00**

8: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kshs	Kshs
National Bank of Kenya A/c	2,103,491.55	42,463,670.60
0204-404-201103-10005780-000	-	-
	-	-
	-	-
	2,103,491.55	**42,463,670.60**

9. BALANCES BROUGHT FORWARD

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bank accounts	42,463,670.60	33,818,321.00
Cash in hand		-
Imprest	-	-
Total	42,463,670.60	33,818,321.00

10. OTHER IMPORTANT DISCLOSURES

10.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016- 2017 Kshs	2015 – 2016 Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods/services	(147,763.83)	3,909,303.51
	(147,763.83)	**3,909,303.51**

10.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others (specify)	46,560.40	1,146,560.00
	46,560.40	**1,146,560.00**

10.3: OTHER PENDING PAYABLES (See Annex 3)

	Kshs	Kshs
Amounts due to other Government entities (see attached list)	(354,766.60)	21,977,870.45
Amounts due to other grants and other transfers (see attached list)	2,559,072.19	22,495,046.12
Others (community social hall/acquisition of assets)		660,000.00
	2,204,305.59	**45,132,916.57**

10.4: PMC ACCOUNT BALANCES (See Annex 4)

	Kshs	Kshs
PMCS Balances	15,934.00	1,570,554.00
	15,934.00	**1,570,554.00**

10.5: AMOUNT DUE FROM THE BOARD

	Kshs	Kshs
Amount due from the board	30,948,274.10	7,725,499.00
	30,948,274.10	**7,725,499.00**

ANNEXES

ANNEX 1.

USE OF GOODS AND SERVICES	OPENING BALANCE	AIE RECEIVED	EXPENDITURE	balances(payable)
goods and services	1,398,547.00	3,175,862.10	3,124,816.80	1,449,592.30
committee allowances-adm	517,400.00	1,270,000.00	1,203,000.00	584,400.00
monitoring and evaluation	15,499.17	-	-	15,499.17
committee allowances-m & e	696,400.00	800,000.00	1,195,000.00	301,400.00
Administration	4,959.34	-	-	4,959.34
capacity building	1,276,498.00	900,000.00	1,295,900.00	900,598.00
Total				**3,256,448.81**

ANNEX 2.

COMPENSATION OF EMPLOYEES	OPENING BALANCE	AIE RECEIVED	amount paid	Balances
staff payables	1,146,560.00	1,224,828.00	1,849,999.60	521,388.40

ANNEX 3.

Amounts due to other government entities	DESCRIPTION	OPENING BAL/AIE RECIEVED	AMOUNT PAID	BALANCES(PAYABLES)
Transfer to primary school				
Dasheq primary school	Renovation of domitory	600,000.00	-	600,000.00
Lafaley primary school	Renovation of four classrooms	800,000.00	-	800,000.00
Desk for primary school	Supply of 102 desks to primary schools	561,000.00	-	561,000.00
qajaja 1 pri	Retention	60,000.00	-	60,000.00
	Retention	21,267.10	-	21,267.10
Transfer to sec school				
ahmed liban sec school	Construction of four toilets	800,000.00	-	800,000.00
	Bbf	326.40	-	326.40
HEALTH				
	Bbf	2,759.00	-	2,759.00
			TOTALS	**2,845,352.50**

ANNEX 3.

Other grants and payments	DESCRIPTION	OPENING BALANCE/AIE RECIEVED	AMOUNT PAID	BALANCES(PAYABLES)
Emergency		6,518,124.60	5,843,510.00	674,614.60
bursary tertiary	payments to needy students	15,045,637.51	14,220,520.00	825,117.51
bursary secondary	payments to needy students	9,218,164.34	7,311,000.00	1,907,164.34
mocks and CATS		1,907,308.40	1,499,880.00	407,428.40
Security				
Tarbaj AP station	Retention	3,100,000.00	2,945,000.00	155,000.00
Tarbaj Ap station	Retention	400,000.00	380,000.00	20,000.00
Tarbaj police station	Retention	1,500,000.00	1,425,000.00	75,000.00
Kutulo police station	Retention	2,700,000.00	2,565,000.00	135,000.00
Sarman AP Station	Retention	3,200,000.00	3,040,000.00	160,000.00
Duntow AP station	Retention	1,400,000.00	1,330,000.00	70,0000.00

tarbaj AP station	Construction of five police staff houses	2,800,000.00	-	2,800,000.00
Tarbaj DO residence	Construction of two bedroom house	1,900,000.00	-	1,900,000.00
Ocpd residence	Construction of two bedroom house	1,900,000.00	-	1,900,000.00
DAPC residence	Construction of two bedroomed house	1,900,000.00	-	1,900,000.00
DO OCPD DAPC residence	Fencing	1,550,000.00	-	1,550,000.00
Sarman AP	Construction of three unit AP houses	1,500,000.00	-	1,500,000.00
Wargadud AP	Construction of three offices	2,400,000.00	-	2,400,000.00
Roads				
Tarbaj lafaley road	Bbf	1,5000.00		15,000.00
Environment				
dambas location	town plan	1,325,499.23	-	1,325,499.23
Tree planting	Bbf	4,894.00	-	4,894.00
tarbaj location	feasibility study	680,000.00	-	680,000.00
Tarbaj primary schools	Tree seedlings	1,637,931.00	-	1,637,931.00
Sports				
Bbf	Purchase of sports items	2,205.36	-	2,205.36
Tarbaj primary schools	Tarbaj primary schools	1,637,931.00	-	1,637,931.00
RETENTION	To be identified			173,137.50
TOTAL			-	**23,855,922.94**

ANNEX 3

Acquisition of assets				
name of supplier	**Description**	**original amount**	**amount paid**	**outstanding balance**
wajeer construction suppliers	purchase of computer	1,294,619.00	1,292,000.00	2,619.00
				2,619.00

ANNEX 3

OTHER PAYMENTS				
NGCDF OFFICE	guest wing	1,500,000.00	-	1,500,000.00
NGCDF OFFICE	Construction of parking lot and bathroom shower system	800,000.00	-	800,000.00
NG CDF OFFICE	Purchase of two computers and two laptops	270,034.00		270,034.00
				2,570,034.00

ANNEX 4

PMC	**Account number**	**Balance 30th june 2016**	**Balance 30th june 2017**
Mansa Boys Sec School	00121000890901	4,278.00	7,834.00
Tarbaj location Security PMC	00121001403401	150.00	47,982,00
Tarbaj Location Road PMC	00121001560101	4,556.00	4,556.00
Sarman Boys Sec school	00121001560101	4,535.00	4,535.00
Sarman Security PMC	001210002276001	0 .00	300.00
,Tarbaj Constituency Sports PMC	00121001943601	415.00	3,171 .00
Gunana location Devt committee	00121001946201	0.00	813.00
Kutulo location security pmc	00121002275901	0.00	1,501,135.00
Basanicha sublocation devt committee	00121001946101	450.00	228.00
Gunana primary school	00121000896101	1550.00	0.00
		15,934.00	**1,570,554**

SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	ADDITION 2016/2017	BAL C/D (Kshs) 2016/17
Buildings and structures	12,900,000.00		12,900,000.00
Transport equipment	-		-
Office equipment, furniture and fittings	1,880,997.00	792,000.00	2,672,997.00
ICT Equipment, Software and Other ICT Assets		500,000.00	500,000.00
Other Machinery and Equipment	-		-
Heritage and cultural assets	-		-
Intangible assets	-		-
Total	14,780,997.00	1,292,000.00	16,072,997.00

NB

1. In the financial year 2013/2014, fixed assets worth Kshs. 181,000 were acquired.
2. In the Financial year 2014/2015, furniture, fittings and equipment worth Kshs. 1,699,997 were acquired.
3. During the FY 2014/15, CDF Office Tarbaj constituency and an underground water tank were constructed at a cost of Kshs. 12,900,000. This was indicated as other payments (Note 9) in the financial statements for FY 2014/2015 but are Fixed assets in nature hence the need to disclose this fact in the summary of fixed assets.
4. It is worth noting that Note 9 of the Financial Statements for FY 2014/2015 also included the Construction of a Green House (Kshs. 400,000) and development of strategic plan for Tarbaj CDF (Kshs. 1,200,000).
5. In the Financial year 2015/2016 no assets were acquired
6. In the financial year 2016/2017 assets worth 1292,000 were acquired.